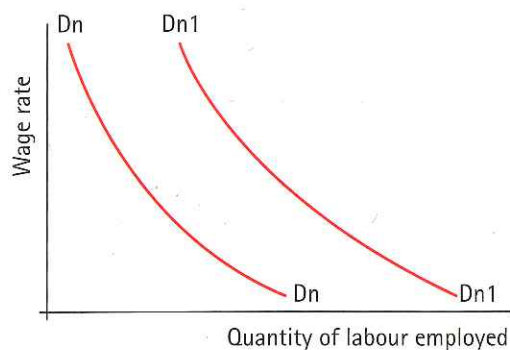


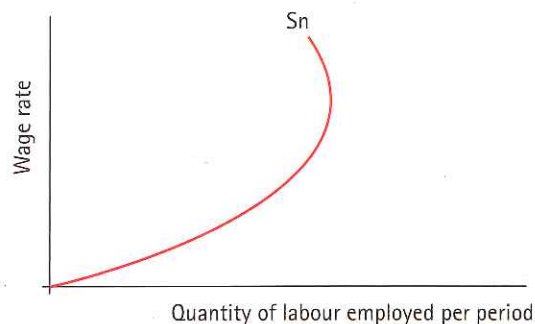
Assessment exercises

Multiple choice

- 1 The wages of carpenters will tend to rise if:
A The supply of carpenters falls
B Their productivity rises
C The price of wooden products falls
D Demand for plastic products rises
- 2 The best explanation for the rise in demand from D_n to D_{n1} is:



- A** A fall in wages
 - B** A fall in the price of the product they produce
 - C** An increase in unemployment
 - D** Increasing productivity of labour
- 3 Disposable income is:
A Gross income before tax
B Personal income
C Taxable income
D Personal income after taxes on income are deducted
 - 4 Which of the following factors is most likely to lead to a fall in the savings ratio?
A An increase in taxes
B A cut in interest rates
C A cut in borrowing
D A fall in people's propensity to consume
 - 5 The supply curve above shows that:
A Wages fall as the amount of labour increases
B A rise in wages reduces the size of the working population
C After a certain level of wages labour chooses more leisure than work
D Supply rises as wages fall
 - 6 The supply of labour to an occupation will tend to rise when:
A Promotion prospects improve
B There are fewer perks
C Holiday entitlement is cut
D Unemployment benefit rises
 - 7 Which one of the following is the least likely explanation for the observed increase in consumer spending on leisure goods and services over time in many countries?
A Increasing real disposable income per head
B Consumers want healthier lifestyles
C Increasing levels of personal debt
D Increased wealth
 - 8 In general the supply of money in a modern economy is best defined as:
A Coins, notes and bank deposits
B All items of legal tender
C Coins, notes and bank loans
D Notes and coins
 - 9 All the following are important characteristics of a good money except:
A It is durable
B It is in unlimited supply
C It is generally accepted
D It is carried easily
 - 10 A single union agreement can have the following advantages for an employer except:
A It reduces time spent negotiating with unions
B It can increase union bargaining power
C It can protect the skills of the union workers
D Union members may agree to increase their productivity



11 Which type of union would best describe a union of musicians?

- A Labour union C Industrial union
B Craft union D General union

12 Collective bargaining involves:

- A Negotiations between employers and union representatives
B Negotiations between individual workers and their employers
C Negotiations between employers and government representatives
D Negotiations between different employers

13 The stock market is a market for:

- A New issues of shares
B Stocks of goods and services
C Financial products
D New and second-hand shares

14 Which of the following is NOT a function of a central bank?

- A Making personal loans
B Managing the national debt
C Controlling the money supply
D Supervising the banking system

Questions 15–17 refer to the financial products:

- A Ordinary shares C Bank loans
B Loan stocks D Mortgages

15 These can be issued by a government

16 These shares have voting rights at annual general meetings

17 These are long-term finance used to buy property

18 Which one of the following types of household is most likely to spend the highest proportion of its disposable income?

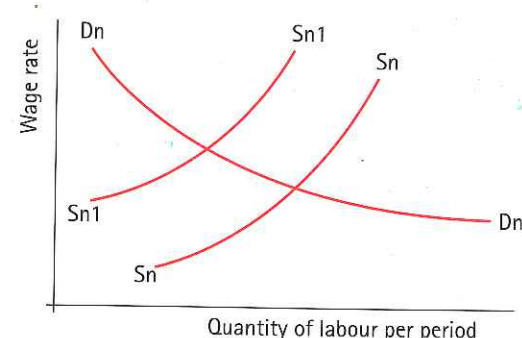
- A High income, middle-aged with no children
B Low income, young single parent with young children
C Middle income, young single person with no children
D High income, middle-aged couple with two grown-up children

19 Which of the following is a non-economic reason why women may earn less than male employees for the same job?

- A They may be discriminated against
B They undertake more part-time work
C Married women may be less mobile than men
D They take more career breaks to raise children

20 What has happened in the diagram to the equilibrium wage and employment?

- A Wages and employment have risen
B Wages and employment have fallen
C Wages have risen; employment has fallen
D Wages have fallen; employment has risen



21 Personal borrowing has increased in many countries. Which one of the following factors is the most likely explanation?

- A Higher real interest rates
B Reduced personal wealth
C Increased availability of credit
D Increased public sector borrowing

22 Disposable income will tend to rise if:

- A Indirect taxes are reduced
B Interest rates are cut
C Price inflation falls
D Direct taxes are reduced

23 The savings ratio in an economy measures:

- A Deposits in banks as proportion of total savings
B Total savings as proportion of gross household income
C Long-term savings relative to total savings
D Total savings as proportion of total disposable income

24 Which of the following changes is most likely to attract an increased supply of labour to engineering professions?

- A An increase in training requirements
B An increase in holiday entitlements
C An increase in contracted hours of work
D An increase in income taxes

Structured questions

1 Saving in South Africa

In South Africa, between 1995 and 1998, savers were able to benefit from higher interest rates and reduced inflation. Moreover, they did not have to pay income tax on some of their income from savings. However, between 1990 and 1998 the amount of income from savings that was exempt from income tax (the 'tax allowance') remained unchanged.

The level of personal savings in South Africa in 1998 was thought to be low and meant that less than 10% of the people were able to retire financially independent.

An economist at the Industrial Development Corporation (IDC) in South Africa suggested that an increase in the level that was exempt from tax would encourage people to save. In 2002 this level was raised from R4000 to R6000. (R = rand, the currency of South Africa).

Changes in taxes can, however, have other effects. There is no guarantee that an increase in the amount of income exempt from tax will result in increased savings. Lower taxes do increase disposable income but this might result in extra spending rather than extra savings.

a Explain how savers can benefit from:

- (i) high interest rates [1]
(ii) reduced inflation [3]

b Using information in the article, comment on the effect that changes in tax allowances might have on total savings in an economy. [5]

c The article says that not many people will be financially independent when they retire. Why might this be a concern for the government? [5]

25 Why might a family increase the proportion of its income that it spends on food?

- A Some of the children start work
B The government increases the benefits it pays to families
C The number of children in the family increases
D The second parent becomes employed

d (i) What is meant by the expression 'disposable income'? [2]

(ii) You are asked to investigate the differences in the spending and savings patterns of people with low disposable income and those with high disposable income. What do you think you would discover? [9]

Cambridge IGCSE Economics 0455/06 Q1 October/November 2003

2 Some workers work long hours but earn little because the rate they receive for each hour worked is very low.

a Why do you think a worker would be prepared to work for very low wages? [5]

b What reasons might make a worker decide to move to another job at the same rate of pay? [5]

c Some workers belong to a trade union. Explain how membership of a trade union might be beneficial to a worker. [5]

d An older skilled worker's pattern of spending and saving is likely to be different from that of a younger unskilled worker. Discuss why. [5]

Cambridge IGCSE Economics 0455/04 Q4 May/June 2005

Cambridge O Level Economics 2281/02 Q4 May/June 2005